

VZCZCXYZ0008  
RR RUEHWEB

DE RUEHBO #0035 0031742  
ZNR UUUUU ZZH  
R 031742Z JAN 08  
FM AMEMBASSY BOGOTA  
TO RUEATRS/DEPT OF TREASURY WASHDC  
RUEHC/SECSTATE WASHDC 0764  
INFO RUEHLP/AMEMBASSY LA PAZ JAN CARACAS 9744  
RUEHPE/AMEMBASSY LIMA 5764  
RUEHZP/AMEMBASSY PANAMA 1053  
RUEHQT/AMEMBASSY QUITO 6467

UNCLAS BOGOTA 000035

SIPDIS

SIPDIS

WHA/EPSC FOR PMAIER; TREASURY FOR MEWENS

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [ELAB](#) [PGOV](#) [CO](#)

SUBJECT: COLOMBIA'S MINIMUM WAGE INCREASED 6.4%

REF: BOGOTA 2

11. SUMMARY: Effective January 1, 2008, nearly two million Colombian workers earning the national minimum wage will receive a 6.4 percent raise. President Uribe announced the increase after annual talks between labor unions and employers to set the new wage broke down. Although the wage increase exceeds inflation and the 2007 hike, legally mandated increases in certain public services in 2008 risk offsetting some of the salary benefit for low-income Colombians. END SUMMARY.

GOC Announcement Breaks Labor-Private Sector Deadlock  
-----

12. After more than two months of negotiations between the government, labor unions and private sector representatives failed to reach agreement on the amount of the wage increase, President Uribe issued a decree December 27 announcing the increase of the monthly minimum wage to 461,500 Colombian Pesos (approximately USD 230) from 433,700 (approximately USD 216). The increase for falls below the 10.5 percent increase labor unions had demanded, but exceeded the 6 percent increase advocated by the private sector. The announcement represented the fifth time in the last eight years that the government has had to set the new minimum wage rate by decree following impasses in negotiations between the unions and private sector.

13. The labor confederations which participated in the negotiations represent about 797,000 workers, or almost 11 percent of Colombia's 7.4 million formal sector workforce. The new minimum wage applies to both public and private sector workers in the formal economy, but will not directly affect the over 10 million Colombians who work in the informal economy. The Ministry of Social Protection estimates that over 1.9 million Colombian workers earn the minimum wage and stand to benefit from the annual increase. The government also raised the transportation allowance that employers owe workers by 8.3 percent to 55,000 Colombian Pesos (approximately USD 27).

Higher Wages, but Also Higher Cost of Living  
-----

14. While the wage and transportation allowance raise exceeded the final 2007 inflation rate of 5.7 percent and 2008 target of 4.5 percent, Colombian law mandates annual price increases of numerous public services based on the previous year's final inflation rate. Such costs, including the obligatory automobile insurance (SOAT), public school tuition, notarial fees, transit tolls, and public hospital fees, tend to

disproportionately impact low-income Colombians, thereby offsetting some of the benefit of the salary increase.

¶5. Labor union leaders publicly criticized the 2008 wage increase as inadequate. The unions claim that the minimum wage falls short of covering the average family's monthly cost of living, which they estimate exceeds 900,000 Colombian Pesos (approximately USD 450). Private sector representatives countered that one must consider the additional compensation mandated by law -- including social security and other benefits -- which add 70% to the total to the base wage rate and are part of the wage increase package.

¶6. Prominent local economic analyst Mauricio Cardenas commended the GOC's decision to set a wage increase closer to the overall inflation rate in order to control costs and preserve competitiveness. Cardenas told econoff that he considered the moderate increase prudent in light of an expected gradual slowdown in Colombia's economy in 2008 (reftel).  
Nichols